THE BURDEN OF THE SUGAR DUTY.

In an article published in the *Atlantic Monthly* for March, 1908, entitled "Sugar: a Lesson on Reciprocity and the Tariff," I presented an estimate of the amount collected from American consumers by the existing duty on sugar; *i.e.*, the duty under the tariff act of 1897.

For convenience of reference I reprint the tabular statement, made out for the year 1906, which summarized this estimate.[1]

Total Tax Burden.		Distribution of the Receipts.	Received by the United States Treasury.	Received by Sugar Producers.
Taxes paid on a total consumption of 6,370 million pounds of sugar	$101,000,000	On 1,128 millions of full duty sugar	$19,100,000	
		" 2,782 " Cuba sugar	32,800,000	$9,200,000
		" 69 " Philippine sugar	500,000	200,000
		" 712 " Hawaii sugar	—	11,700,000
		" 410 " Porto Rico sugar	—	6,800,000
		" 594 " Louisiana sugar	—	9,600,000
		" 672 " domestic beet sugar,	—	11,100,000
	$101,000,000	Total	$52,400,000	$48,600,000
			$101,000,000	

It will be remembered that a comparatively small amount of our sugar supply pays the full amount of the nominal duty. That which comes from Louisiana and the domestic beet sugar regions is, of course, free from tax, and that from Hawaii and Porto Rico is also free. Another very large portion has a partial remission of duty,—Cuban sugar to the extent of 20 per cent., Philippine sugar to the extent of 25 per cent. The table was constructed on

[1] See the Atlantic Monthly, March, 1908, p. 342. The figures are quoted in the recent edition of Ely's Outlines of Political Economy, p. 309.

the assumption that, tho only a small portion pays the full duty, the price of all the sugar is raised throughout the year by the full amount. This assumption, however, needs to be qualified in two particulars.

(1) That the Cuban importations presented a peculiar problem was intimated in the *Atlantic* paper. "There is probably some allowance to be made," I then wrote, "for the fact that at certain seasons of the year the Cuban crop dominates the market and that for a while this is not raised in price by the full amount of the duty" The allowance on this score, it appears, should be considerable. Cuban sugar dominates the market during a large part of the year, and especially the first three months of the year During these early months no other duty-paying sugar is imported, and the rate on Cuban sugar (80 per cent of the full rate) is the only really effective duty. The price of sugar is then raised only by this moderated tax, and it is the domestic purchaser rather than the Cuban producer who gets the benefit of the 20 per cent. remission As the season goes on, in spring, the pressure from Cuban sugar becomes less, and a half-way stage ensues: the remission goes partly to the benefit of consumer, partly to that of the planter And, finally, as the Cuban crop is all worked off, other (neutral) sugar begins to come in, and the full duty becomes effective

Interesting details on this topic are given in some testimony submitted the Ways and Means Committee by Mr. E. F. Atkins Figures for each week in 1907 and 1908 are there given, comparing the actual price of sugar with the price which would have ruled if the full duty had been added to the outside foreign price (that is, to the price of beet sugar at Hamburg). The following figures, which are for the first date in each month of 1907, suffice to indicate the general situation. The first column, labelled "Hamburg parity," states what the price of imported sugar would be in New York if the full duty were added to the Hamburg price The second column states the price at which Cuban sugar actually sold in New York The third

gives the difference,—the amount by which the price of Cuban sugar failed to reach "Hamburg parity."[1]

1907.	Hamburg Parity.	Price of Cuban Sugar, duty paid.	Difference.
January 3	3.84	3.56	.028
February 7	3.84	3.42	.42
March 7	3.89	3.51	.38
April 4	3.93	3.61	.32
May 2	3.99	3.765	.225
June 6	4.09	3.84	.25
July 3	4.00	3.835	.165
August 1	4.04	3.94	.10
September 5	4.16	3.92	.24
October 3	4.04	3.95	.09
November 7	3.96	3.90	.06
December 5	3.98	3.625	.355

The full duty, it will be remembered, on sugar (testing 95°) is 1.65 cents. The Cuban differential is 20 per cent., or .33 cents. The net duty on Cuban sugar is therefore 1.32 cents.[2] A glance at the table shows that during the first three months of the year, when the Cuban crop is brought to market, the Cuban planter loses his differential. The price of sugar is raised only by the net Cuban duty of 1.32 cents, not by the full duty of 1.65. As Mr. Atkins explained, "during the period of heavy Cuban receipts . . . the pressure to sell, owing to the excess of receipts over requirements, brings the sugar market down in New York, so that the Cuban planters lose the differential that is accorded to them." During this season of course, there can be no other imports. By the autumn, when the New York price again rises until it exceeds the outside (Hamburg) price by the full duty, imports from neutral regions are resumed.

[1] Tariff Hearings before the Committee of Ways and Means, pp. 358, 359. Figures for 1908 are there also given. See also the testimony of Mr. Spreckels, pp. 395, 403. For 1906 the figures have been kindly furnished to me by Mr. Atkins. They tell the same story. Messrs. Willett and Gray, of New York, inform me that the situation has been substantially the same ever since the date (1903) when the reciprocity treaty with Cuba went into effect.

[2] On 96° sugar the duty is 1.68½ cents, the Cuban differential .34, and the net duty 1.34½ cents.

It would seem, also, that the price of refined sugar goes down with that of raw sugar. It is not the refiner who gets the benefit of the Cuban remission, for the difference between the price of refined and raw sugar is not, on the whole, greater during the early months of the year than during the later.[1] The gain goes chiefly to the consumer,—or, at least, to the wholesale and retail grocers, through whom, with more or less of friction and uncertainty, all such gains gradually filter to the consumer.

This situation has developed in very recent years, because of the great increase in the supply of free or partly free sugar. A steadily smaller part of the supply comes from the neutral regions whose sugar pays full duty The stage has already been reached where, during a good part of the year, no full-duty sugar comes in, and the effective duty is that on Cuban sugar.

It will probably not be long—supposing the existing rates of duty and the existing remissions of duty to be maintained—before full-duty sugar entirely disappears, and the Cuban rate becomes the effective one all the year around.

(2) Another qualification needs to be made, as to domestic beet sugar. The increase in our beet sugar supply has been remarkably rapid in the last ten years. It has taken place, not in the strictly agricultural region, but chiefly in California and in the states of the semi-arid region, such as Colorado, Utah, Idaho. Michigan is the only one of the states of the Middle West in which the production is considerable. The causes of the increase in the Far West and of the absence of development in the Middle West, outside Michigan, are interesting and instructive They still seem to me to rest on the principle of comparative costs: it pays the farmer of the Middle West better to do other things.[2] But it is not within the purpose of the present note to consider this aspect of the situation. The fact is that in the Far West, where the climatic and agri-

[1] See the figures given by Mr. Atkins in the Hearings, p. 361.

[2] See what is said in my Tariff History of the United States, pp 372 *seq*

cultural conditions are very different from those of the Middle West, the production of beet sugar has greatly increased.

The supply of beet sugar hence has come to be greatly in excess of local consumption in California and the Rocky Mountain region, and has had to press for a market farther and farther to the eastward. During the period of the "campaign"—six or seven months in the year, chiefly in autumn and winter—beet sugar makes its way as far east as Chicago and Pittsburg, and sometimes even as far as New York State.[1] At Chicago it meets the Cuban sugar; tho this latter, as it happens, comes to market, in the main, at a different season. But beet sugar, of course, has to pay freight from the points of production to its Eastern market. And, from the same circumstance, it is cheaper, by the amount of the freight, at the points of production than in the Eastern market In its local region, therefore, say at Denver and at Salt Lake City, probably at Omaha, it is cheaper than in Chicago and Pittsburg In other words, in its local region, it is not raised in price by the amount of the duty, probably not even by the amount of the reduced Cuban duty. The full effect of the duty would appear only if the domestic price of sugar were equal to the foreign price, plus full duty, plus cost of transportation to the point of consumption. Beet sugar, at its local markets in the Far West, is not raised in price so much as this.

To calculate the burden of the sugar duty, in view of those qualifications, would be a complicated task. Only one very familiar with all the details of the trade could undertake to do it with complete accuracy. During part of the year the effective duty is the full nominal rate; during another part of the year, the effective duty is that on Cuban sugar,—only 80 per cent. of the nominal rate. The total tax on consumers, and the total bonus to the various favored producers, would be somewhat less than

[1] Hearings before the Ways and Means Committee, pp. 281, 282, 314.

was calculated in my tabular statement. The total tax would be reduced from a round $100,000,000 to somewhere between $80,000,000 and $90,000,000. The bonus received by Cuban sugar planters would largely disappear: that going to other favored producers would be reduced to something like $30,000,000. The burden is still heavy enough; and the bonus to the planters of Hawaii and Porto Rico, not to mention the strictly domestic producers, is still more than generous.

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